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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, NOVEMBER 1, 1999

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE990679

To revise Rider J-Interruptible
Water Heating Service

ORDER FOR NOTICE AND HEARING

On October 1, 1999, Virginia Electric and Power Company ("Virginia Power" or "the Company") filed a report with the State Corporation Commission ("Commission") regarding the Company's proposed disposition of Rider J-Interruptible Water Heating Service ("Rider J").¹ In its report, after considering various options, Virginia Power recommended that the existing rate credit of \$4.00 per month per customer now available under the tariff, be continued through March 31, 2000, and that thereafter, Rider J be terminated, effective April 1, 2000. The Company further proposed to implement a geographically targeted residential control device deactivation strategy effective with Commission approval, beginning no earlier than April 1, 2000,

¹ In its report, the Company stated that it was filing its report in response to the Commission's directives in Application of Virginia Electric and Power Company, To close Schedule SG-Standby Generator; Schedule CS-Curtailable Service; and Rider J-Interruptible Electric Water Heater, Case No. PUE950063, 1997 S.C.C. Ann. Rept. 344.

and ending by December 31, 2002. Under the Company's deactivation plan, device deactivation work orders would be distributed over each year of 2000, 2001, and 2002. The Company requested that any final order implementing a modification to Rider J provide for an effective date of at least sixty (60) days from the date of the final order to permit appropriate customer notification and accommodate billing system changes.

On October 21, 1999, the Company filed an application seeking approval from the Commission to terminate Rider J-Interruptible Water Heating Service, together with a supplemental document. In its supplemental document, Virginia Power asserted that the Virginia Electric Utility Restructuring Act, Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia ("the Act" or "Restructuring Act") does not prohibit the Company from terminating its Rider J program as proposed in its application. The Company represented that the customers who are currently participating in the Rider J program are all charged for electricity usage on a per kWh basis under the Company's Schedule 1-Residential Service Schedule and that Virginia Power has not proposed to increase Schedule 1. It maintained that payments to customers for participation in load management programs are not subject to the rate provisions of § 56-582 of the Code of Virginia. It stated that although the actual bills to Rider J participants may increase, the

electricity usage rates for these customers will remain unchanged. The Company asserted that for the Commission to decide the Company must maintain all of its programs exactly as they were on July 1, 1999, would be contrary to the intent of the Virginia Electric Utility Restructuring Act.

On October 26, 1999, the Commission entered an Order docketing the Company's application and suspending the Company's proposals concerning Rider J through February 27, 2000.

NOW UPON CONSIDERATION of the Company's application and the applicable statutes, the Commission is of the opinion and finds that the Stipulation sponsored by the Company and other participants in Case No. PUE960296, provided that the base rates approved in that case would remain in effect through February 28, 2002, subject to certain conditions. This portion of the Stipulation was accepted without modification in our August 7, 1998, Final Order entered in that matter.² Thus, an issue is raised of whether Virginia Power may now eliminate a rate credit currently reducing the rates paid by customers served under Rider J. Therefore, we find that the Company should file a legal memorandum addressing its legal authority,

² Application of Virginia Electric and Power Company, 1995 Annual Informational Filing and Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex Parte: Investigation of Electric Utility Industry Restructuring-Virginia Electric and Power Company, Case No. PUE960036 and PUE960296, 1998 S.C.C. Ann. Rept. 322 (hereinafter referred to as "Case No. PUE960296").

including its authority under the Stipulation accepted in Case No. PUE960296, to eliminate the rate credits available under Rider J, beginning April, 2000. We also find that the Company's proposal, if adopted, would affect the availability of Rider J after March 31, 2000; and as such, notice and opportunity to comment on these proposals should be given to the customers affected thereby. We further find that a period of time wherein interested persons affected by the proposal might comment or request a hearing should be established; and that the Commission Staff should investigate the Company's application and make appropriate recommendations.

Accordingly, IT IS ORDERED THAT:

(1) On or before November 10, 1999, the Company shall file with the Clerk of the Commission all data, information, exhibits, and testimony it intends to offer in support of the captioned application.

(2) On or before November 10, 1999, the Company shall file with the Clerk of the Commission a memorandum of law addressing its legal authority, including its authority, if any, under the Stipulation accepted in Case No. PUE960296, to terminate the rate credits now available under Rider J.

(3) Interested persons may obtain a copy of the Company's October 1, 1999, request, together with Virginia Power's testimony and other documents filed in support of its

application, by directing a request in writing for the same on or before November 30, 1999, to the Company's counsel, Jill C. Hayek, Esquire, Virginia Electric and Power Company, Legal Services, P.O. Box 26666, Richmond, Virginia 23261.

(4) Upon receipt of a written request for a copy of the Company's application and supporting documents, the Company shall provide a copy of the same within five (5) business days of the receipt of said request.

(5) A copy of the Company's application and supporting documents shall be made available for public review at the Commission's Document Control Center, located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, during the Commission's regular hours of operations, Monday through Friday, from 8:15 a.m. to 5:00 p.m.

(6) On or before December 16, 1999, an original and five (5) copies of any comments in support of or in opposition to Virginia Power's proposal shall be filed with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, and shall refer to Case No. PUE990679. A copy of any comments filed herein shall be mailed on or before December 16, 1999, to: Jill C. Hayek, Esquire, Virginia Electric and Power Company, Legal Services, P.O. Box 26666, Richmond, Virginia 23261.

(7) On or before December 16, 1999, any interested person desiring a hearing in this matter shall file an original and five (5) copies of a written request for hearing with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, which shall refer to Case No. PUE990679. Any person requesting a hearing shall identify his or her interest in the matter and shall also establish why a formal ore tenus hearing is appropriate. The person requesting the formal hearing shall also indicate what he or she would demonstrate at the hearing in the event a hearing is convened. A copy of any request for hearing shall be mailed on or before December 16, 1999, to the Company's counsel, Jill C. Hayek, Esquire, Virginia Electric and Power Company, Legal Services, P.O. Box 26666, Richmond, Virginia 23261.

(8) On or before November 16, 1999, the Company shall mail a copy of this Order to the customers served under Rider J-Interruptible Water Heating Service.

(9) On or before January 14, 2000, the Commission's Staff shall investigate the Company's application, shall file a report thereon with the Clerk of the Commission, and shall mail a copy of said report to the Company and all other parties of record.

(10) Virginia Power shall respond to all interrogatories, data requests, and requests for the production of documents within seven (7) business days of the receipt of the same.

Except as so modified, discovery shall be in accordance with Part VI of the Commission's Rules of Practice and Procedure.

(11) On or before January 21, 2000, Virginia Power shall file with the Clerk of the Commission proof of the notice and service directed herein by means of a certificate showing the name, address, business affiliation, and date of service for the notice required in Ordering Paragraph (8) herein.